COUNTY OF PLACER

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Thomas Miller, County Executive Officer
County Executive Office, Placer County
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Re: Community Development Resources Agency Review – Phase 1

The purpose of our review was (a) to obtain an understanding of the entity's internal control structure, assess the control risks, and, as appropriate, make recommendations for improvement; (b) to verify the accountability of County assets through review of the cash receipts, cash disbursements, and payroll processes and to ensure cash funds and trust funds are safeguarded; (c) to determine whether the accounting records, financial reports and reconciliations, and systems are adequate; and (d) to determine whether the agency has complied with specific laws, regulations and County policies.

Phase 1 of this review consisted of cash disbursements testing including credit card transactions, employee reimbursements, travel, training, cellular phone, and fleet vehicle expenditures, capital assets and other assets inventory, as well as procurement and contracts. Phase 2 of this review consists mainly of payroll and cash receipts processes and will be reported on separately as it is completed.

We interviewed staff at the Community Development Resources Agency (Agency) in Auburn and Tahoe and spoke with other County departmental staff as necessary. We also took a sample of accounting transactions related to these areas from fiscal years 2005 through 2009 for our testing. Based on the sample selected, our summary of findings and recommendations are as follows.

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Summary of Findings and Recommendations

Credit card transactions

For credit card transactions testing, we selected a sample of fifty transaction groups from a total population of approximately 400 for our review. The following are our findings and recommendations.

Account reconciliation

We noted the following:

- One credit card statement with no cardholder signature
- Two credit card statements with no authorized approving official signature
- The Department Head's credit card statement is approved by a subordinate individual

It is the responsibility of both the cardholder and approving official to ensure that current receipts reconcile to the statement of account, and transactions were allowable per County policy, as fully described in Sections 20.1 "Cardholder Procedures" and 20.2 "Approving Official Procedures" of the Credit Card Program Policies and Procedures Manual.

We recommend both cardholders and approving officials sign the statement as evidence of their review, validation of the charges and authorization for payment. In addition, we recommend the credit card statements of the Department Head be submitted to the County Executive Officer for approval.

Agency Response:
The Agency agrees with the findings. As the Auditor's Department is aware, the Agency was recently created to bring all of the County's land development functions together. The primary focus of creating the Agency was to emphasize and improve the County's ability to provide services to the development community and the residents of the County. At the same time, the arrangement of the Agency is unique among County departments, in that there are appointed department heads serving under the Agency Director, and these appointed department heads, technically, have similar authority as does the Agency Director. This "overlapping authority" has its challenges, as each department has its own accounting practices, which can lead to different interpretations in the implementation of County rules and regulations. The Agency welcomes the opportunity that is provided with these comments from the Auditor to bring consistency to the practices of all departments within the Agency.

To assure that all Agency credit card statements are complete and contain all required signatures, the Agency will be preparing a policy to require that the Agency's Account Clerk that processes the credit card statement flag all necessary places for signature and verifies that the statement has been signed once the document is approved and returned. This new procedure will eliminate the potential for credit card statements being processed without the required signatures as noted above.

Based upon the Audit recommendations, an internal policy will be prepared requiring that all Agency credit card statement (including the Engineering and Surveying Department Director and the Chief Building Official) are to be submitted to the Agency Director for review and signature as the Appointing Authority. In addition, the Agency Director's credit card statement and associated backup is sent to the CEO for approval. Department-created forms that request additional signatures have been removed to ensure that only County-required signatures are requested and obtained. By implementing these new procedures, the Agency will be assured that credit card statements are not reviewed and approved by subordinate staff as noted above.

When there have been missing receipts in the past, the Agency's Account Clerk had been working through the respective Executive Secretaries to request additional information. To assure a timely response and to increase accountability, all questions will now be put in writing directly to the card holder, with a copy sent to the Appointing Authority to ensure proper documentation.

The Agency has historically processed the credit cards in one large transaction with statements and backup in one large document. The Agency will now separate each credit card and supporting documentation to ease the amount of physical validation that takes place because of the volume of paper. The Agency believes this will simplify the review process.

The Agency has looked at the Health and Human Services Department's sophisticated and comprehensive automated process that is directly interfaced to the County's financial system (PAS). While Agency staff was impressed by their process, the Agency does not believe its volume warrants using their system, but larger departments with a higher volume of credit card transactions would likely benefit.

Excessive gratuity

We noted one instance in which there was an excessive tip for lunch which calculated to a 42% gratuity on the subtotal before tax. Rates for gratuity should be limited to reasonable, generally accepted rates, approximately 15-20% of the subtotal during this review period.

We recommend cardholders only tip at reasonable gratuity rates. We further recommend the accounting staff monitor gratuity rates during the account reconciliation process.

Agency Response:

While the Agency agrees with the recommendation, the issue in question deserves some clarification. In the instance noted, a group-rate gratuity was automatically added to the bill by the restaurant, and the cardholder inadvertently added in an additional gratuity (not noticing the already-included group-rate gratuity). To assure that such an oversight does not occur in the future, the Agency will remind all cardholders to conduct a more thorough review of the bill prior to using the credit card to avoid the payment of a "double gratuity". Additionally, the Agency's accounting team will review all expenditures to assure a "double-gratuity" is not paid. Should it be found that a 'double-gratuity" has been paid, the employee will be responsible for reimbursing the County this cost at their own expense. By implementing this procedure, the Agency is confident that the checks-and-balance requirements recommended by the Auditor's Office will be successfully *implemented, and inadvertent oversights such as that described in this single example will be avoided.*

The Agency's Account Clerk will calculate the gratuity for all meals and, if the gratuity exceeds 20 percent, the cardholder will be requested to reimburse the difference. A note will be placed on each receipt with the percent of gratuity to verify that an appropriate gratuity was paid.

<u>County business purpose</u>

We noted in 22 instances, there was no County business purpose for the expenditure noted on the receipt or supporting documentation. Of these 22 instances, 20 of them were for meals or refreshments in which there was no specifically identifiable reason provided for conducting the County's business during the meal. In two of these 20 meal instances, a meal was purchased for a non-County employee with no County business purpose identified.

We recommend the Agency review the Administrative Rules, Chapter 2, Section III (2A) which provides specific guidelines on meal allowance expenditures and document the specific County business purpose for all expenditures on the receipt or supporting documentation.

<u>Agency Response:</u>
The Agency agrees with the finding and recommendation. To assure compliance with the County Administrative Rules as noted above, the Agency has prepared a new form (refer to Attachment 1) that will accompany all bills that requires cardholder documentation including: an identifiable purpose for the expenditure; why a meal couldn't be conducted outside a meal period; the County business purpose; and a detailed receipt. The Agency will validate the amount does not exceed the allowable limit, the charge for accommodations are for a single occupant, parking, meals and other expenses coincide with conference/travel dates and all approvals are obtained.

To further clarify the issue of permitted and non-permitted purchases, the Agency is preparing a policy/procedure that includes pertinent information on charges that are allowed and charges that are unallowable. When the Agency's accounting division finds discrepancies, an e-mail will be sent to the cardholder, with a copy sent to the Approving Official, identify the charge that is being questioned and clearly documenting that communication has taken place. All unallowable purchases will be returned or reimbursed by the employee.

<u>Lack of receipts</u>

We noted 12 instances where meal purchases were not supported by a detailed receipt as required by the Administrative Rules, Chapter 2, Section III (1C) as well as the *Credit Card Program Policies and Procedures Manual, Section 19.0.* Additionally, we noted four instances where there was no receipt provided or a note indicating a lost receipt.

We recommend cardholders and approving officials be aware of documentation required by the Administrative Rules and the Credit Card Program Policies and Procedures Manual to properly support credit card meal purchases.

Agency Response:

While the Agency agrees with the recommendation, it should be noted that not every establishment (especially restaurants) provides a detailed receipt as required by the Administrative Rules. In some of the County's more rural areas, receipts are still written by hand, and it is not possible to get a detailed receipt as required by the Administrative Rules. For those instances where an establishment may not have the means to provide a detailed receipt to the County employee, the following process has been implemented by the Agency to assure compliance with the Administrative Rules: Should a business establishment not be able to provide a detailed receipt for services rendered as required by the County's Administrative Rules, the employee shall specifically document on the receipt provided the service rendered, how many people were involved in the event, and what was included with the service rendered. In the case of a meal that may have been provided, the employee shall document who was in attendance, what meals each person had, the cost of each meal, and any gratuity that was included.

Should the Agency's accounting division find discrepancies or submittals that do not comply with the County's Administrative Rules, an e-mail will be sent to the cardholder and copy the Approval Official to clearly document communication and a request for additional documentation has taken place. If proper documentation cannot be obtained, the cardholder will be requested to reimburse the County for the identified expense. The Agency is confident these improvements will address the deficiencies identified in the audit.

- Expenditures over the meal allowance

We noted nine instances in which meals purchased went over the County's meal allowance amount per the Administrative Rules, Chapter 2, Section III (6C.) These overages totaled approximately $260 and this excess was not reimbursed to the County at the time of the JC reconciliation. During the course of this review, approximately $94 was reimbursed in response to the auditors' inquiries.

We recommend detailed receipts for meal expenditures be carefully reviewed to ensure only the meal allowance contained in the Administrative Rules for breakfast, lunch and/or dinner, in effect on the date the meal is incurred for the geographical location that the meal allowance is incurred in. Receipts are still necessary for all credit card purchases. Any meal expenditures in excess of these rates should be promptly reimbursed to the County.

Agency Response:

The Agency agrees with the finding and the recommendation. The Agency's Accounting Division will more clearly document communication between the cardholder and the division, and backup will be included with the billing record. The findings noted above occurred prior to the County's 'per diem' versus meal reimbursement policy. The 'per diem' policy, in the Agency's opinion, is much clearer and easier to enforce.

One of the identified overages, $161.22, was in fact not an overage, but rather a Planning Commission luncheon held by the previous Agency Director to celebrate the opening of the new Agency building. A complete list of attendees was inadvertently omitted from the original backup documentation. In addition to the Agency and Planning Director and members of the Planning Commission, it also included numerous County staff that regularly supported the Commission, including Paul Thompson, Charlene Daniels, Janelle Fortner, Gary Winegar, Rebecca Maddox, Dana Wiyninger, Alex Fisch, Sharon Boswell, George Rosasco, Ted Rel and a representative from County Counsel.

To assist not only the Agency but also other departments, the Agency sees merit in an update to the credit card policy to include language that it is the County's preference that if the per diem rate is exceeded, the employee will pay and present a claim to the County for reimbursement. Such payment would be included with any credit card statement that is submitted. Implementation of such a policy update would eliminate any confusion as it relates to reimbursements.

<u>Account coding errors</u>

We noted 11 account coding errors on the credit card billing summary, in which meals and other expenditures were incorrectly coded to mileage.

We recommend the accounting staff carefully reviews the credit card billing summary for proper account coding to ensure expenditures are correctly recorded in the general ledger.

<u>Agency Response:</u>
The Agency agrees with the finding. The instances noted all occurred more than three years ago and during a time of staff transition. The errors have not occurred since. The Agency's accounting staff now has a listing of all the Object Level 3's to assure such errors do not occur, including a description of each specific account code. In addition, to provide additional consistency and clarity, the Agency would suggest the Auditor's office have the description of the account used added to all the document detail lists (Crystal Report) that is used for approvals to easily validate the account used against the description keyed on the document.

<u>Lack of proper approval</u>

We noted three instances in which expenditures related to Employee Morale Events (Employee BBQ and CDRA 1 year anniversary party totaling over $1,116) in which there was no evidence of required CEO approval per the Administrative Rules Chapter 2 Section III (2D.) This CEO approval needs to be in advance and in writing.

We recommend the Agency obtain written approval in advance from the CEO in the event of any Employee Morale Event expenditures in the future.

<u>Agency Response:</u>
While the Agency agrees with the finding, a review of the Administrative Rules could not find a requirement that written approval is required. At the time of the first event, the Administrative Rules were in the process of being updated to address such expenditures. Currently, the

Administrative Rules states the CEO is responsible for developing guidelines for approval and it does not specify the means of approval. The expenditures noted were made by the previous Agency Director, based upon verbal discussions with the County Executive Officer. In the future, the Agency will obtain written approval prior to any such expenditure.

Unallowable items

We noted purchases of the following items, totaling nearly $118. They are all unallowable according to the Accounting Policies and Procedures Manual – Reasonable and Necessary Expenses – Unallowable Items page 58, and the Administrative Rules, Chapter 2, Section III (6A.)

- Cake and forks for Employee Recognition Awards
- Dish drainer, tray, and soap
- Food utensils for Planning Commission Meeting

We recommend Agency staff review, understand and comply with the Placer County Auditor-Controller's Office, Accounting Policies and Procedures Manual – Reasonable and Necessary Expenses - Unallowable Items page 58 and the County's Administrative Rules Chapter 2, Section III.

Agency Response:
The Agency respectfully disagrees with the findings of the Audit. As set forth on page 6 of the County's Administrative Rules, Policies and Practices (Incidental Expenses for Meetings and Special Events), as revised March 25, 2008, "Department Heads may authorized other incidental expenses (e.g., coffee, non-alcoholic beverages, and food), for special events if, in the opinion of the Department Head, such expenses would be conducive to the efficient conduct of County business, and the cost is reasonable. For example, it may be appropriate to provide beverages and food at a board or commission meetings, seminars, and workshops that extend over normal "break" periods, or when it is to the benefit of the County to keep the participants together and not have them disperse for breaks. However, public funds may not be expended to purchase beverages and food for normal day-to-day County operations or routine staff meetings."

While the Agency agrees that the purchase of cake and forks for Employee Recognition Awards was not in keeping with the County's Administrative Rules, the other incidental items identified would appear to be consistent and allowable based upon the language cited above. If this is not the case, the Agency will work with the Auditor's Office to assure that better, more clarifying language is inserted into the County's Administrative Rules to assure compliance with the County's Administrative Rules.

Laptop purchase without IT approval

We noted the purchase of an Apple laptop in the amount of $2,090 for home use which was not approved by Central IT. Personal computers, especially non-Dell products other than the standard configurations as defined by Administrative Services' Minimum PC Configuration guidelines must be approved by Central IT. In addition, the laptop was not listed on the Agency's PC inventory listing.

We recommend the Agency coordinate purchases of IT equipment with their Technology Solutions Division and obtain specific written approval from Central IT before making purchases of this nature.

Agency Response:

While the Agency agrees with the recommendation, the specific instance noted above deserves additional clarification. First, while the computer is sometimes used at home for County business, the primary use of the computer is to enhance the Agency's graphic and design capabilities here in the County offices. In an effort to improve the Agency's graphic capabilities for staff reports, PowerPoint presentations and general office work, it was concluded that the Apple Macintosh computer and its associated programs provided opportunities for improved communication that PC-based programs could not provide. The Planning Department discussed this issue with the former Agency Director as well as with the Agency's IT Coordinator. Both the former Agency Director and the Agency IT Coordinator authorized the purchase in what was thought to be accordance with County Administrative Rules. By following these procedures, the Agency believed it was in fact in compliance with the Delegated Purchasing policy. A more literal reading of the Delegated Purchasing policy showed that the language was intended to include a review and approval by the County's Central IT Services staff. The Agency is now aware of this requirement, and the Agency will assure that Central IT Services staff is included in any future purchases such as that described above. It should be noted that the laptop in question has in fact been added to the Agency's fixed asset inventory, and that the purchase was not for home use, but rather for use in the department. The computer is used by Agency staff and Planning Department staff to prepare graphics and presentation materials for Planning Commission and Board of Supervisor reports. Examples of some of the work products prepared with the computer programs are included in Attachments 2 through 6.

Auditor Response to Agency Response:

Based on the facts and circumstances gathered by audit staff, it has been determined that this was not an appropriate expenditure of County funds. Therefore, the expenditure is disallowed and the County should be reimbursed a total of $2,251.87, which equals the purchase price of $2,089.90 plus tax.

Violations of Delegated Purchasing Policy

We noted the following items purchased that are restricted items under Procurement's Delegated Purchasing Policy:

- Bench - unallowed: furniture, including systems furniture and accessories
- Apple laptop for home use – unallowed: laptop computers

We recommend Agency staff review, understand and comply with the Placer County Procurement Services Division Delegated Purchasing Policy Guidelines & Restrictions.

Agency Response:
The Agency agrees with the recommendations, although clarifying comments are warranted. At the time of the initial purchase of each of the items identified above (the bench and the Apple laptop computer), it was the Agency's belief that it was complying with the County's Administrative Rules. A more literal reading of the Administrative Rules found that it is appropriate to have such expenditures processed through the County's Procurement Team and/or the County's Central IT staff. The Agency is now aware of this requirement, and the Agency will assure that the County's Procurement team and/or the County's Central IT staff is included in any future purchases such as these described above. As previously noted, the Apple computer is used by Agency staff and Planning Department staff for the creation of graphic presentations (refer to previous response).

Card restrictions

We noted two purchases for services that are restricted under the *Credit Card Program Policies and Procedures Manual, Section 7.0*:

- Welding (cutting metal rods)
- Glass top for a desk and table (cutting glass to fit)

We recommend Agency staff review, understand and comply with the Credit Card Program Policies and Procedures Manual.

Agency Response:
The Agency agrees with the finding and recommendation. The Agency recommends the County's cardholder agreement be updated to include detailed information on what is allowable and what is unallowable and remove the information that is not applicable to the cardholder.

To address the welding invoice, when the Agency moved in to the CDRC building, the supports supplied in the file drawers at the front counter were not sufficient to support the weight of the file folders. Based on a recommendation from the Facility Services Department, the Agency purchased support frames that, unfortunately, did not allow the drawers to properly close. As a last resort and an attempt to have the necessary forms and information available to our technicians to adequately serve the public, Agency Managers made a quick decision to have a welding shop fabricate what was needed to assure service to the public was not adversely impacted. The total cost for the welding services was $150.02. In retrospect, the Agency agrees that such a purchase should have gone through the procurement process, regardless of the impact to the public.

The Agency has reviewed the County's Credit Card Program Policies and Procedures Manual and agrees the purchase of the glass table top was not allowed under the policy. The Agency will assure that such future purchases follow established County rules and procedures.

Least costly alternative

We noted two instances in which purchases were made that were not the least costly alternative:

- A Blackberry purchase at a retail store for $200. According to the Telecom Division of Administrative Services, that was not the most cost effective method. The cardholder could have worked with Telecom to get a much better price, perhaps $49 or less.

- Hourly parking used for an entire day's parking at the airport for a total cost of $26. A review of the airport's website indicates current daily parking rates are max of $15 or even $9 for economy parking.

According to the Credit Card Program Policies and Procedures Manual 6.0 4), "Cardholders are responsible for ensuring that the least expensive item that meets your basic needs are sought." The Administrative Rules Chapter 2, Section II also states "Department Heads are responsible for ensuring that meals, lodging, and travel expenses are incurred only for authorized purposes and at the least possible cost." Additionally, the County's Accounting Policies and Procedures Manual page 58 states "Reasonable purchases are those for basic goods and services obtained at the lowest possible price....Services should be the least costly and still perform the required function."

We recommend all cardholders and approving officials review, understand and comply with the Credit Card Program Policies and Procedures Manual, Section 6.0, the Administrative Rules Chapter 2, Section II, and the County's Accounting Policies and Procedures Manual – Reasonable and Necessary Expenses page 58.

Agency Response

The Agency agrees with the recommendation. In reference to the airport parking instance, it should be noted that, based upon the circumstances, the use of the hourly parking facility was the least expensive option available at that time. In that instance, an employee was directed by the County Executive Officer to travel to the California State University Board of Regents meeting in Long Beach to provide testimony on the State University project proposed in Western Placer County. The employee was notified that morning of the meeting of the required attendance, and so the employee immediately left the office and rushed to Sacramento International Airport. Because of a limited timeframe, the employee was not able to take advantage of the airport's economy parking and associated shuttle service. Instead, with only 15 minutes to make the flight, the employee parked in the hourly parking lot. Given different circumstances and sufficient time, it is the Agency's requirement that employees do in fact utilize the least costly option. In this instance, given the factual evidence, the use of the hourly parking lot was the least costly option. To assure that all Agency employees are aware of the County requirements as set forth in the Administrative Rules for the use of the least costly option, the Agency will be establishing regular meetings with all Agency employees to remind them of the requirements set forth in the Administrative Rules.

In reference to the Blackberry purchase, the Agency agrees that less costly alternatives are available and that the process should have utilized the County's IT Services team. The Agency has subsequently had several meetings with the County's IT Services team to discuss procedures for purchasing equipment such as the Blackberry cell phone to assure that any such future purchases are compliant with County requirements.

Unauthorized use of cards

We noted an instance of an employee's spouse's airfare charged on a County credit card. This is intentional use of the County credit card for other than "Official Use Only", a violation of the Credit Card Program Policies and Procedures Manual 3.0 and the County's Accounting Policies and Procedures Manual page 79.

We recommend all cardholders and approving officials review, understand and comply with the Credit Card Program Policies and Procedures Manual, Section 3.0 and the County's Accounting Policies and Procedures Manual page 79 regarding employee travel.

Agency Response:
While the Agency agrees with the recommendation, additional clarification of the issue is warranted. In this instance, a spouse chose to travel with the County employee to an out-of-area County-sponsored event as is provided for in the County's Administrative Rules (Lodging Policies – E. Travel Involving Spouses, Companions or other Family Members). To assure the County employee and spouse were placed on the same flight, the County credit card was used to book both flights. It is important to note that all the expenditures associated with the spouse's flight were fully reimbursed to the County, and that the expenditure was made to assure that both were booked on the same flight. The Agency will be cautious in the future to assure that all requirements of the Credit Card Policy are properly implemented. To this end, the Agency will conduct training sessions with Agency managers no less than twice a year to review County policies on the use of credit cards.

Lack of travel request

We noted an instance in which there was no travel claim or conference itinerary to support the overnight travel expenditures. Without a document of this nature, we were unable to verify the County business purpose for the travel.

We recommend the Agency review the Administrative Rules, Chapter 2, Section III (1C) which states the Auditor-Controller's Office prescribes the policies, procedures, instructions, and standard forms. The Auditor-Controller's Office requires a pre-approved travel request form with documentation as to the specific County business purpose for all travel expenditures.

Agency Response:
While the Agency agrees with the recommendations, it appears the instance noted above was a single instance where the County's administrative procedures were not followed. As far as the Agency is aware, and based upon comments from the Auditor's Office, all other such requests over the past five years have complied with the County's Administrative Rules. To assure the correct implementation of the County's Administrative Rules, all Agency accounting staff will be reminded of the requirement that a travel claim or conference itinerary is required to support overnight travel expenditures. By holding regular meetings with the accounting staff to review the Administrative Rules, the Agency is confident that such oversights will be avoided in the future.

Employee reimbursement expenditures

For employee reimbursement testing, we selected a sample of 34 transactions from a total population of approximately 1,000 for our review. The following are our findings and recommendations.

Meals and refreshments for bi-weekly Planning Commission Meetings

We noted numerous examples of meals and refreshments being purchased for the bi-weekly Planning Commission Meetings. For seven meetings, reimbursements totaled over $469. A review of the minutes for the particular items selected for testing indicated the following:

- 8/14/08: agenda items from 10:00 - 11:10 am. No evidence of when the meeting adjourned.
- 1/24/08: Minutes indicated agenda items from 10:00 - 10:45 am. No evidence of when the meeting adjourned.
- 2/28/08: Minutes indicated agenda items from 10:00 to 11:50 am. No evidence of when the meeting adjourned.

County business purpose

We noted numerous examples of reimbursement of meals for meetings. For one employee, the total reimbursements for a period of approximately 4-5 months totaled nearly $492. In all instances, there was no specifically identifiable reason provided for conducting the County's business during the meal. In some instances, the employee came from Tahoe and had a meal meeting in Auburn. While in some cases traveling more than 30 miles from the office may qualify for a meal, it is unclear if sited meetings were conducted over meal time or how long the meetings were. Further by the frequency of occurrence, they appear to be routine meetings and the auditors would suggest the Agency consider if this is the most efficient and cost effective way to conduct County business.

We recommend the Agency review the Administrative Rules, Chapter 2, Section III (2A) which provides specific guidelines on meal allowance expenditures and document the specific County business purpose for all expenditures on the receipt or supporting documentation.

Agency Response:

While the Agency agrees with the recommendation, clarification is needed for why these expenditures were in fact necessary and in compliance with County rules and regulations. Unlike the Board of Supervisors, which has time-specific items on its agendas, the Planning Commission agenda hears each item in order. While staff tries to establish reasonable timeframes for the hearing of each item (to avoid down-time between items), it is not uncommon for items to take significantly more time for hearing than was anticipated by staff. As a result, while the agenda may *state an item has a start time of 10:45am, it is not uncommon for the item to not start until after 12:00 noon. While staff provides anticipated start times for all hearing items, the only requirement is that the hearing not start before the scheduled item. In reality, by the time the last hearing item starts, it is not uncommon for the Planning Commission to be one or two hours behind schedule.*

As the Planning Commission does not have established break times, it is staff's responsibility to anticipate when a hearing may go beyond 1:00pm. If it is anticipated that a hearing will proceed after 1:00pm, staff will order lunch and have it delivered to the Commission Chambers for the Planning Commission. All lunches that are ordered are done so in accordance with official County business, and the expenditure for the lunches are in accordance with County policies for the amount of money that can be spent on a single lunch. As the Planning Commission is providing an extraordinary public service, and as the Commission often takes only ten minutes to eat its lunch so as to minimize impacts to the public hearing process, the Agency is confident that all County rules and procedures are being implemented with regards to any meals provided to the Planning Commission.

In the specific instances above, there were highly controversial projects on each agenda which necessitated more time than anticipated by staff:

August 14, 2008: This agenda included the Glenbrook Mobilehome Park CUP (where the applicant was proposing to cut down more than 60 oak trees) and the Granite Bay Plaza/Pardee Court CUP projects. More than 35 persons spoke during Glenbrook hearing (which took more than one and a half hours), and more than 20 persons spoke during the Pardee Court hearing (which took more than two hours).

January 24, 2008: This agenda included the American Vineyard Village General Plan Amendment/Rezone application for a project in Western Placer County, as well as a Zoning Text Amendment for Reasonable Accommodations. For the American Vineyard Village project, 17 persons spoke, and the item took more than two hours. For the Reasonable Accommodations Zoning Text Amendment, more than eight persons spoke. These were both highly controversial topics that took significantly more time than anticipated by the agenda.

February 28, 2008: This agenda included three controversial projects: Riolo Vineyard Specific Plan in Western Placer County, the Livingston Concrete EIR, and the Foresthill Divide Community Plan. The hearing ultimately lasted more than four hours.

As noted above, the Agency only provides meals to the Planning Commission and support staff for those meetings that extend beyond 1:00pm, and all meal expenditures are consistent with County rules and regulations as set forth in Chapter 2 (Meals, Lodging, Travel and Transportation, Meal Policies). The Agency realizes that the Planning Commission agendas are implemented in a different manner than Board of Supervisor agendas and, to the outside observer, it could appear that a meal is being provided in an instance where it is not warranted. Based upon the factual information provided above, the Agency is confident that any meals provided to the Planning Commission are in compliance with County rules and procedures.

While the Agency believes the Planning Commission Agendas and Action Agendas were sufficient documentation to assure compliance with the County Administrative Rules, to make it easier for the Auditor's Office to monitor the activities on the Planning Commission, the Agency has established new procedures for Planning Commission Summary/Action Agendas, requiring the inclusion of a start/finish time for each agenda item, as well as documentation as to when the meeting adjourned. By providing this additional information, the Auditor's Office will be able to confirm compliance with County rules and procedures for the provision of meals to the Planning Commission.

Regarding the issue of reimbursing meals without a stated County purpose, the Agency agrees with the recommendation. To assure compliance with County rules and regulations, the Agency will ensure an identifiable reason for conducting the County's business during the meal period is included in our documentation. With regards to the authorization of approximately $492 in meal reimbursements, the former Agency Director concluded these expenditures were in fact compliant with the County's Administrative Rules (5b. Taxable Meal Allowance on page 6) which allows for meals to be reimbursed when an employee is traveling on official business that results in the employee being more than 30 miles away from his primary work location. In each of these instances, the employee had traveled to the Tahoe Regional Planning Offices in South Lake Tahoe, which is located 43 miles from the County's North Lake Tahoe office. Based upon the distance traveled, it is the Agency's understanding that the expenditures were in fact compliant with the County's Administrative Rules. The Agency will continue to assure that proper documentation is provided to assure compliance with County rules and regulations.

<u>Meals and refreshments for employee staff meetings</u>

We noted three instances of expenditures for food and refreshments for employee staff meetings, totaling over $119. This is unallowable according to the Administrative Rules Chapter 2, Section III (2C): "Public funds may not be expended to purchase beverages and food for normal day-to-day County operations or routine staff meetings." As well as under the Accounting Policies and Procedures Manual – Reasonable and Necessary Expenses – Unallowable Items: "Food or drink for staff performing their standard functions at their standard worksites."

We recommend Agency staff review, understand and comply with the Administrative Rules Chapter 2, Section III (2C) and the Placer County Auditor-Controller's Office, Accounting Policies and Procedures Manual – Reasonable and Necessary Expenses - Unallowable Items page 58.

<u>Agency Response:</u>
The Agency agrees with the recommendation. These expenditures were a continuation of practices permitted under the previous Agency Director. After a review of the Accounting Policy and Procedures, it is clear these are not reimbursable expenditures. The Agency will work with the CEO and Auditor to consolidate the Administrative Rules and the Accounting Policy and Procedures Manual to more easily identify unallowable expenditures.

Mileage reimbursements

We noted numerous instances of mileage payments to employees. Mileage was claimed in 19 instances out the 34 items selected in our sample (56%.) The total amount paid was $2,590 out of the total $5,037 of our sample.

In addition, we noted three instances in which an employee who had a County vehicle assigned to him utilized his personal vehicle for County business and then submitted a mileage reimbursement claim. The total amount expended was $252.

We recommend the Agency create a centralized function of vehicle management and implement a policy to share any pooled vehicles between divisions to avoid unnecessary employee mileage reimbursements.

Agency Response:
The Agency agrees with the recommendation. The instances noted above, while authorized by the former Agency Director, do appear to be excessive, especially since one of the employees in question had a County vehicle assigned to him. To address such instances, and based upon direction from the County Executive Officer in November 2008, the Agency has implemented procedures to reduce and/or eliminate such instances from occurring. Before an employee can utilize a personal vehicle for County business, the employee must first check to see if there is a County vehicle available that can be used. If there is a County vehicle available, the employee must utilize the County vehicle. If there is not a County vehicle available, the employee must fill out a form (refer to Attachment 7) provided by the Agency documenting that a County vehicle is not available, and that the employee is authorized to use their personal vehicle for County business. This form must be filled out and signed by an Agency manager PRIOR to the use of the vehicle. If the form is not filled out in advance, the employee will not be reimbursed for the use of a personal vehicle for County business.

The use of this procedure has significantly reduced the reimbursements required for the personal use of vehicles for County business. Since implementing this program at the direction of the County Executive Officer, the Agency has realized a great amount of savings of the monies that used to be spent on the use of personal vehicles.

The Agency is currently in the process of developing a centralized vehicle pool to make additional vehicles available to all Agency staff and perhaps decrease the number of vehicles necessary.

Travel expenditures

For travel expenditures testing, we selected a sample of ten transactions from a total population of approximately 115 for our review. The following are our findings and recommendations.

We noted the following:

- One instance in which there was no travel claim submitted indicating approval for the travel reimbursement.

- One instance in which the County paid three extra days of parking for an employee's personal parking charges after the employee completed their County business. The total parking charges were $108.00 for eight days, which equates to a $40.50 overpayment.

We recommend the Agency review the Administrative Rules, Chapter 2, Section III (1C) which states the Auditor-Controller's Office prescribes the policies, procedures, instructions, and standard forms. The Auditor-Controller's Office requires a pre-approved travel request form with documentation as to the specific County business purpose for all travel expenditures. In addition, we recommend the Agency carefully scrutinize all employee reimbursement claims to ensure County funds are only expended for County business. Furthermore, we recommend the Agency collect the $40.50 overpayment from the employee.

Agency Response:
The Agency agrees with the recommendation. While only two inconsistencies have been identified by the audit, the Agency has implemented new procedures to assure total compliance with County rules and regulations. A more thorough review of transactions is taking place by the Agency's accounting staff, and all communication is done in writing directly with the cardholder (refer to Attachment 1). Please note that the $40.50 overpayment has been collected from the employee. The Agency now compares the dates of business travel versus travel prior to or following business travel and ensure reimbursement is not made on those portions that are personal.

Training expenditures

For training expenditures testing, we selected a sample of 17 transactions from a total population of approximately 200 for our review. The following are our findings and recommendations.

We noted the following:

- Five instances in which no course description was provided
- Three instances in which there was no documentation on how the training related to the employee's job duties
- Eight instances in which there was no evidence of approval for the employee to enroll in the course or training
- Eleven instances in which there was no evidence of attendance or completion of the course or training

Of the 11 instances in which there was no evidence of attendance or completion, two of these were courses taken for academic credit at an academic institution. Each course was $525, for a total expenditure of $1,050. These courses should have been paid for by the employee and then reimbursed with the County's Tuition Reimbursement Program. For one of these courses, the employee took an "incomplete" and is planning on attempting the course again in Fall 2009. For the other course, the employee who was enrolled and did not complete the course is no longer employed with the County.

We recommend the Agency ensure training expenditures are supported by appropriate documentation, such as course description, how the training relates to the employee's job duties, management's pre-approval and attendance or completion records. Also, any requests for academic credit courses should be submitted in accordance with the County's Tuition Reimbursement Program.

Agency's Response:

The Agency agrees with the finding and recommendation. The Agency's. centralized Training Coordinator now ensures that the Agency has proper documentation of each training event, including a course description, how the training relates to the employee's job duties, management's pre-approval and records of attendance, and completion. If documentation is incomplete, requests for reimbursement will be returned to the employee unpaid. If a pre-paid course/seminar is not completed, reimbursement will be requested from the employee. The Agency will adhere to the County's rules for tuition reimbursement to assure that all expenditures are compliant with County rules and regulations.

In addition, to assure that information and knowledge gained from these training opportunities is passed on to all staff members, Agency employees are now required to provide a short overview as to what was learned at the training event, and how this training will assist them in the implementation of their job responsibilities. This checks-and-balance process will allow managers to see that assigned training opportunities are directly related to an employee's current job assignment.

Cellular phone expenditures

For cellular phone expenditures testing, we selected a sample of 25 transactions from a total population of approximately 300 for our review. The following are our findings and recommendations.

We noted the following:

- Eleven cell phone lines with a pattern of no or low usage with various rate plans ranging from $22 up to $99 a month. Two of these lines consistently used only approximately 50 minutes out of 450 which has created a rollover balance of over 4,800. In addition, the rollover minutes have begun expiring since they haven't been used in 12 months.
- Multiple cell phone users went over their minute allowance resulting in substantial overage charges (e.g. total overage charges in sample were $274 for one month for two users.)
- Extra charges for use of "411" information service, text messaging, and roaming charges resulting in additional usage charges totaling $87 in our sample.

We recommend that cellular phone bills be reviewed by management on a monthly basis, including detailed phone records to determine whether the current access plan is appropriate. Considering whether the Agency needs more mobile to mobile minutes, more minutes overall, plans that include text messaging, long distance, roaming, etc. could potentially save the Agency in monthly cell phone charges. In addition, low *usage services should be reviewed on an ongoing basis to determine if there is a true need for a phone. Zero cost service plans with pay per minute usage, a pager, or reimbursement of non-County issued cell phone used for County business (and cancellation of County issued phone) may be a more cost effective alternative. We also recommend management notify employees to limit usage of the 411 feature or avoid it entirely by using one of the free directory assistance numbers, 1-800-GOOG-411 or 1-800-FREE-411 as a first attempt to locate a phone number. The Google 411 (1-800-GOOG-411 or 1-800-466-4411) has no advertisements and connects users for free. For more information: www.google.com/goog411.*

Agency Response:
The Agency agrees with the recommendations, and actions have been put in place prior to the receipt of the audit to address some of the issues identified in the Audit. In 2008, Agency managers conducted a review of employee cell phone use. Where it was determined that an employee was not utilizing or did not need a County cell phone, service for that employee was disconnected. As a result, the Agency was able to eliminate eight cell phones that had been issued to Agency employees but were being underutilized.

The use of cell phones is monitored on a monthly basis and, if it is determined that an Agency-issued cell phone is not needed, that cell phone service will be disconnected. The Agency management has and continues to review all cellular phone bills on a monthly basis. When it is noted that a specific user has exceeded minutes, verification is provided to assure that the excess was in the course of conducting County business, and then the Agency makes appropriate plan changes in the subsequent months. For the most part, since most of the Agency cellular phones are bundled into five or more packages, there is an ability to balance minutes within the "bundles" so no overages occur. However, in those rare instances where County business dictates a change in cellular service, the Agency will continue to address this issue immediately.

With regards to the use of "411" service and the availability of free directory assistance numbers, the Agency will prepare an internal policy informing all cellular users of these free services, and employees will be informed that any "411" service will no longer be paid for by the County, but will instead need to be reimbursed by the employee.

Fleet vehicle expenditures

For fleet vehicle expenditures testing, we selected a sample of 5 Motorpool Interface transactions, (one per year from fiscal years 2005-2009) from a total population of 60 for our review. In addition, we reviewed the annual mileage activity for the Agency's assigned vehicles. The following are our findings and recommendations.

We noted the following:

- Three out of 24 (13%) instances in which the DPW Vehicle Pool Reservation form was incomplete (e.g. missing the Destination field.) Without this information, there was no explanation as to why a vehicle was needed.
- Seven out of 24 (29%) instances where it appears the Agency was charged ($828 in total) for loaner vehicles while the regular vehicle was in for service or repair.

According to DPW, the department is only charged for the loaner vehicle when the fixed vehicle wasn't retrieved timely.

- Two instances in which a vehicle was reserved from fleet; however, there was no clear documentation as to why the reservation was needed. In the first instance, the employee already had a vehicle assigned to him on a permanent basis. In the second instance, the vehicle was reserved for a student intern and the Agency Director without indication as to the purpose and potentially there were pooled vehicles available.
- In one instance, it appears the DPW Motorpool Interface wasn't reviewed in detail for accuracy. There was a charge for one of the loaner vehicles while the assigned vehicle was in the shop even though the DPW Vehicle Pool Reservation form included a notation of "no charge."
- We received verbal testimony that one of the CDRA assigned vehicles was the Director's. In addition, we found evidence illustrating that the Director drove that same County vehicle to get a car wash in Auburn. The Director receives a monthly automobile allowance and should not be driving a County vehicle unless travelling outside the County or to the Tahoe area.
- We noted one instance in which the Director purchased a $19.99 "Deluxe Wash" for the County vehicle mentioned in the previous finding. Per the Administrative Rules Chapter 2, Section II "Department Heads are responsible for ensuring that meals, lodging and travel expenses are incurred only for authorized purposes and at the *least possible cost."*
- We noted 12 vehicles that, on average, were not being used more than 8,000 miles annually (the CEO recommended a minimum of 6,000-8,000 miles per year.) Four other vehicles had low daily usage (less than 40 miles per day on average.) However, without a centralized function to coordinate usage between divisions, we were unable to determine if these low averages were acceptable due to scheduling needs.
- We noted the Agency has 17 Voyager fuel cards assigned to them according to DPW. However, the Agency's accounting staff was unaware of this listing and was unsure if employees were actively using those cards or how the Agency was billed for the fuel.

We recommend the Agency ensure all DPW Vehicle Pool Reservation forms are completed in their entirety and maintain detailed records which explain the purpose of the reservation as well as document management approval. For the DPW Motorpool Interfaces, each bill should be verified for accuracy of individual charges, including fuel usage/charges. In addition, we recommend the CDRA divisions' assigned vehicles be pooled together and the function of assigning vehicles and fuel cards to individuals be centralized to enhance efficiencies and save costs. Any vehicles or fuel cards deemed unnecessary should be returned to DPW.

Agency Response:

While the instances noted above have occurred over the past five years, it should be noted that based upon direction from the County Executive Officer in November 2008, the Agency has *streamlined its policies for the use of County Vehicles, and the occurrences indentified above have been eliminated.*

With regards to the belief that a Director is assigned a County vehicle, this is an inaccurate statement. Within the Planning Department, there is one vehicle that is available to department managers for their use. With the weekly trips that Deputy Planning Director Paul Thompson makes to the Agency's Tahoe office, as well as the weekly trips that Deputy Planning Director Loren Clark makes to Sacramento and the Bay Area to address Planning Department business, it was concluded that it was more cost effective to allow these employees to utilize a County vehicle for County business than to reimburse for the use of their personal vehicle. It should be noted that this vehicle is not solely available to managers (although managers are provided the first opportunity to use the vehicle). Other employees use this vehicle on a regular basis, and the practice has resulted in an actual savings to the Planning Department's budget. The Agency is pleased to be able to provide this factual information to the audit process.

With regards to the instance where a Director purchased a $19.99 carwash, it should be noted that this cost was in fact the least costly option available. As staff members are often required to drive County vehicles into remote areas to review project applications, it is not uncommon for County vehicles to get quite dirty. In this specific instance, the vehicle was taken in a "red-dirt" area above Colfax, and the very fine dirt made its way inside of the vehicle. The $19.99 cost to clean the vehicle was the "least possible cost". It should be noted that, even after cleaning, the very fine particulates of the red dirt were not fully removed from the vehicle.

The Agency's Manager that reviews the monthly fleet charges was unaware the County policy had changed in regards to charging of pooled vehicles when a vehicle was in the shop, so even though a review was occurring, the charges seemed consistent with the policy. It was not until the audit that the new policy was brought to the Agency's attention.

In one instance, a staff person had a pooled vehicle when their vehicle was in the shop for repairs. DPW left a message for the employee late Thursday afternoon; the employee was off Friday and retrieved the car Monday a.m. The Agency was charged with having the fleet vehicle for five days because the vehicle was not picked up in a timely manner. To avoid such instances in the future, it would be helpful if the Department of Public Works would send an e-mail to the employee and copy the Executive Secretary or other employee in the Agency so that more than one person is aware the vehicle is ready for pick-up.

Staff is now aware of the updated policy and is informed they must pick up the vehicle the same day they are contacted by the garage. The Agency is working on an Administrative Plan that includes centralization of our vehicles. This should alleviate the need for vehicles that reflect low mileage usage.

The Agency has worked with DPW/Fleet Services to inactivate Voyager fuel cards that are no longer needed. The Agency's understanding is these cards only work with County Vehicles, so the risk for misuse is low. The Agency cannot tell the difference between the use of a Voyager card and filling the County vehicle at the County's service station in Auburn. Both charges are reflected the same on the report the Agency receives from DPW.

Capital assets/other assets inventory

For our review of capital assets/other asset inventory, we selected a sample of 33 asset inventory items from the Agency's inventory listings' total population of approximately 300 for our review. The following are our findings and recommendations.

We noted the following:

- We were unable to physically verify the existence of one of the PC's on the Agency's inventory listing. The PC had been transferred to surplus and the inventory listing was not updated.
- We were unable to physically verify the existence of nine "Spare" PC's and 1 "Vacant" PC. None of the items were on the equipment transfer form to surplus.
- We were unable to physically verify the existence of one laptop because there was an incomplete description and no asset number.
- A Water Quality Monitor was not locked up securely. When we inquired we found the item was kept in a backpack case in an employee's cube and the IT Supervisor was unaware of its existence.
- We noted the existence of an Apple laptop and three digital cameras through our credit card testing which were not on the Agency's asset inventory listings. An inventory listing of cameras was created in response to our inquiries.

We recommend the Agency take a physical inventory of all assets, including PC's printers, copiers, projectors, digital cameras, cellular phones and any other equipment. This inventory listing should be maintained and updated on a regular basis and inventoried items should be tagged for easy identification. Any transfers from inventory to surplus should be documented and done in accordance with procedures provided by the Procurement Division. All assets should be stored in secure locations with access only by appropriate personnel.

Agency Response:

The Agency agrees with the recommendation. The Agency's Administration Team will work with the Agency's IT Supervisor to ensure proper accountability is in place for tracking of our inventories. The Agency would recommend a County-wide system to track our assets to allow for dual control. Additionally, the Agency will work with its staff to assure the County credit cards are not used for the purchases of fixed assets. The inventory listing has been updated to reflect the PC's transferred to surplus. The nine "spare" PC's and 1 "Vacant" PC are located in a work area on the second floor of the CDRC building. The Water Quality Monitor is now locked up and has been added to the Agency's physical inventory listing. The Apple Laptop has been added to the Agency's physical inventory listing. The cameras are locked up in each division of the Agency and access controlled by the Executive Secretaries.

Procurement and contracts

For procurement and contracts testing, we selected a sample of five of the Agency's open BPO's from a total population of approximately thirty for our review. In addition, we selected a sample of seven open contracts from a total population of approximately forty for our review. The following are our findings and recommendations.

We noted the following:

- One BPO selected had an invoice applied to it for which the services described on the invoice were not included in the BPO.
- Two invoices paid on a BPO lacked sufficient detail for payment. The invoices merely state the project name or fee instead of breaking down the exact expenses incurred.
- Three out of seven (43%) of the invoices paid on contracts lacked sufficient detail of hours worked, mileage or tasks performed. These elements are necessary to ensure the County has received the services being billed for and to avoid the risk of over or duplicate payment.
- Two contracts had payments made to the vendors for services performed after the end date in the contract or specific time period in the scope of work.
- One contract was awarded to a vendor in March 2003. The contract continues to remain open and the encumbered balance of $35,750 rolls over each year. The contract states the vendor had sixty days from the Notice to Proceed to complete the work. The work should have been completed in 2004 and therefore the contract should be closed and the encumbrance liquidated.
- One contract was awarded to a vendor in 2002 and the last invoice was received in 2003. The contract continues to remain open and the encumbered balance of $4,034 rolls over each year.

We recommend the Agency review, understand and comply with the Blanket Purchase order guidelines from the Procurement Services Division's Purchasing Handbook for Departments page 16, the Purchasing Policy Manual Sections 8.2(b,c), 8.3, 8.4, 8.6 related to Blanket Purchase Orders and Quality Control to ensure compliance with County contracts.

Agency Response:
The Agency agrees with the recommendations. The two inactive contracts noted above have been closed.

The Agency will write a procedure for staffs' review of invoices, including validation of hourly rates and work performed is within the scope of the contract.
The BPO noted which reflects an invalid service has been updated to include the necessary service.
The Agency's accounting team will work with the Auditor and Procurement to ensure our vendors for contracts and BPO's have invoices that meet the Auditor's requirements.

The Agency's responses to the recommendations identified in our review are described above. We did not audit the Agency's responses or the attachments provided by the Agency and, accordingly, we express no opinion on them.

We appreciate the courtesy and assistance of staff from all departments throughout the course of our review.

Sincerely,

Katherine J. Martinis

Katherine J. Martinis, CPA
Auditor-Controller

cc: Michael Johnson, Community Development Resources Agency Director
Nicole Howard, Internal Audit Manager
Holly Heinzen, Assistant County Executive Officer
Placer County Audit Committee

Attachments provided by the Agency:

Attachment 1:	Documentation Form for Credit Card/Reimburseable Expenditures
Attachment 2:	Graphics prepared for the Hilt Variance (February 24, 2009 Board of Supervisors Hearing)
Attachment 3:	Graphics prepared for the Housing Element Update (May 12, 2007 Board of Supervisors Hearing)
Attachment 4:	Graphics prepared for the Outdoor Seating Zoning Text Amendment (July 20, 2009 Board of Supervisors Hearing)
Attachment 5:	Graphics prepared for the America's Tire Company Appeal (August 4, 2009 Board of Supervisors Hearing)
Attachment 6:	Graphics prepared for the Cemex/Patterson Sand and Gravel CUP (October 20, 2009 Board of Supervisors Hearing)
Attachment 7:	New Form for Use of Personal Vehicle